



## Research:

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### —Miami Springs, Florida; Tax Secured, General Obligation

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#### Credit Profile

##### DOWNGRADED

\$5.000 mil. Miami Springs GO bnds ser 1997 dtd 09/01/1997  
due 02/01/1999-2013 2018

##### To

##### From

AAA/BBB+(SPUR) A

##### OUTLOOK: REVISED

TO

FROM

##### Status

NEGATIVE

STABLE

#### ☐ Rationale

Standard & Poor's Ratings Services lowered its underlying rating (SPUR) on Miami Springs, Fla.'s outstanding GO bonds series 1997 to 'BBB+' from 'A', reflecting:

- • A financial position that has significantly weakened, as evidenced by a reduction in the city's unreserved general fund balance from \$3.1 million, or 39% of expenditures, in fiscal 2001, to a negative \$300,176 at fiscal year-end 2002;
- • A history of non-self-supporting enterprise operations, which has contributed to deterioration in the general fund;
- • A significant number of material weaknesses identified in the compliance section of the fiscal 2002 audit; and
- • Wealth levels that are slightly below average.

These factors are partly offset by:

- The primarily residential community's location within the Miami metropolitan area;
- Steady, healthy growth in the tax base; and
- A low debt burden and limited future capital needs.

The bonds are secured the city's unlimited-tax full faith and credit GO pledge.

The city's financial position has deteriorated over the past year. This is largely due to enterprise operations (water, sewer, and golf course) that have not been self-supporting, and in turn have required subsidies from the general fund. At fiscal year-end Sept. 30, 2002, general fund revenues totaled \$7.0 million, and expenditures totaled \$8.7 million. After transfers in and out, the general fund posted a deficit of \$1.1 million, with a corresponding reduction in the total ending general fund balance. The ending unreserved general fund balance was further reduced to a negative \$300,176 as management reclassified this reserve as "reserved for advances." Management has indicated that the reserved for advances, which totaled \$2.1 million in fiscal 2002, will be used to partially reduce the accumulated negative balances in the sewer fund and golf course fund. At fiscal year-end 2002, the sewer fund had a negative fund balance of \$3.2 million, while the golf course fund had a negative fund balance of \$1.3 million. At fiscal year ended Sept. 30, 2003, management projects the golf course fund balance to have a zero balance, while the sewer fund balance is projected at a negative \$1.4 million. In addition, for the general fund, management projects a surplus of about \$900,000. The ending general fund balance is projected at \$900,000, all of which will be unreserved.

In trying to make the enterprise funds self-supporting, management raised the water and sewer rates by 8% to 9% in fiscal 2002. Past rate increases, however, have been irregular, and when coupled with ongoing operating and capital needs and past state department of transportation projects, which have resulted in unplanned expenses for the system, the system's operations are expected to continue to be strained. As for the golf course, deficits have accumulated over its four-year operating history. Over this period, city management has changed management companies three times, but desired results have yet to be achieved. At present, management is considering various scenarios to try to make the golf course self-supporting. The scenarios, however, are preliminary. Standard & Poor's expects management to continue to work toward making this a self-supporting operation.

The fiscal 2004 general fund budget totals \$10.3 million and is balanced. The budget is up 5.7% over the fiscal 2003 amended budget. The mill rate totals 8.14 per \$1,000 of assessed value. This rate is down by 0.0064 mills, from fiscal 2003's rate of 8.15. At the 8.14-mill rate, projected tax revenues total \$5.6 million, or 54% of total general fund revenues. The budget includes a 2% COLA increase for all employees. The budget also includes a \$150,000 subsidy for the golf course fund.

Debt burden is low at \$1,741 on a per capita basis and 3.3% of market value. Debt service carrying charges in fiscal 2002 remained low at about 4% of combined general and debt service fund expenditures. Management does not have plans to issue additional debt in the near future.

### ☐ Outlook

The negative outlook reflects the ongoing concern related to the city-owned-and-operated golf course and sewer enterprise funds, both of which have been a drain on the general fund. Standard & Poor's expects management to continue to develop satisfactory long-term solutions to make the enterprise funds self-supporting, while improving the financial position of the general fund.

### ☐ Economy

Miami Springs is a suburban community north of Miami in Dade County ('AA-' GO rating). The city's population is estimated at 13,700 and has remained fairly stable over the past decade. City residents have employment access throughout the county's substantial economic base. Unemployment data is unavailable for the city; however, at the county level, unemployment has historically been above the state and U.S. average. Wealth and income levels are near the state and U.S. average. Median household effective buying income is 105% of the state and 93% of the nation. Per capita effective buying income is 93% of both the state and the nation.

The city's tax base has been increasing at a healthy pace, but still remains relatively small. The fiscal 2002 tax base totaled \$670.7 million, or a high \$71,670 per capita market value. Over the past three years, the base has increased an average of 6.0% annually. The tax base could get a boost, should a pending annexation be approved. The potential annexation totals 6.9 square miles and is primarily commercial and industrial. Should this be approved, the annexation will provide the city with additional property tax revenue. Moreover, there is no concentration in the base, with the 10 leading taxpayers accounting for 10.7% of the tax base.